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Energy Department Report Identifies Barriers Blocking Competition In Electric Utility Industry

Distributed Power Projects Could Reduce Power Outages

Secretary of Energy Bill Richardson today released a comprehensive report that documents, for the first time, the marketplace barriers that prevent electric utility customers, developers and vendors from creating projects that would enable consumers to generate their own electricity. According to the Energy Department report, distributed power systems that produce electricity onsite can reduce the amount of power utility companies need during peak demand and help prevent power outages.

"Hundreds of millions of dollars and hundreds of thousands of work hours are lost each year due to power supply disruptions that could otherwise be avoided if the barriers to distributed electricity generation were removed," said Secretary Richardson. "When facilities such as hospitals and businesses with computers or other critical electronic technology can get power from either the grid or their own generating equipment, energy reliability and security will be greatly improved."

The newly released Department of Energy (DOE) report contains a 10-point action plan for reducing the technical, business practice and regulatory barriers that discourage interconnection of distributed generation technologies to the electricity grid in the United States. The report, Making Connections:
Case Studies of Barriers to Interconnection of Distributed Power, is the first to document the problemsthe developers of distributed electricity generation projects encounter while attempting to interconnect to the electric grid.

Onsite generation, also known as distributed electricity generation, allows residential, commercial and industrial customers to produce their own electricity by using smaller, decentralized, electrical generation systems located at or close to their facilities. Power sources for distributed electricity generation systems include fuel cells, microturbines, photovoltaics, wind turbines and combined heat and power systems. The technology reduces the need to build new large central generating plants or transmission and distribution lines. The report concludes, distributed power systems at industrialplants or commercial buildings can be more energy efficient and provide greater reliability onsite than conventional central generating stations.

The Energy Department examined 65 distributed electricity generation projects. Of the 65 case studies, only seven reported no major utility-related barriers. However, in most cases, substantial regulatory, technical and business-practice barriers exist, which inhibit distributed generation interconnection to the grid in the United States. For example, 17 projects, more than 25 percent of the case studies, experienced delays greater than four months.

Other findings include:

Lack of a national consensus on technical standards for connecting equipment.
Lengthy and costly approval process that hampers competition from smaller distributed generation projects.
Unfamiliarity by utility companies in dealing with customer-generator interconnection requests.
Costly regulatory appeals that prevent relatively small-scale distributed generation projects.

Although a handful of public utility commissions across the country have adopted rules on interconnection, the report concludes that removal of the barriers will require the participation of industry, utilities, developers, environmental groups and state and federal regulatory agencies. The report outlines an action plan for reducing barriers to distributed generation. Some of the recommendations include:

Adoption of uniform technical standards for interconnecting distributed power to the electric grid.
Acceleration of the development of distributed power control technology and systems.
Development of tools for utilities to assess the value and impact of distributed power at any point on the grid.
Establishment of new regulatory tariffs and utility incentives that help reduce regulatory barriers.

According to the report, many of the artificial market barriers to distributed generation grow out of long-standing regulatory policies and incentives designed to support monopoly supply. Distributed generation promises greater customer choices, efficiency advantages, improved reliability and a host of environmental benefits.

Copies of the report are available at
http://www.eren.doe.gov/distributedpower/barriersreport/

Secretary Richardson discussed the report's findings during remarks today at an electricity reliability summit in Akron, Ohio. During the summit, government officials, regulators, labor representatives, utility company executives and consumers discussed ways to enhance the reliability of Ohio's electric system. Since late April, Secretary Richardson has co-hosted similar summits in Hartford, Newark, New Orleans, Sacramento, Seattle and Houston.

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